

TWIN DISC INC
Form 10-Q
February 05, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 28, 2018

Commission File Number 1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

Wisconsin **39-0667110**
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

1328 Racine Street, Racine, Wisconsin 53403

(Address of principal executive offices)

(262) 638-4000

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At January 31, 2019, the registrant had 13,099,512 shares of its common stock outstanding.

Part I. FINANCIAL INFORMATION**Item 1. Financial Statements****TWIN DISC, INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

(UNAUDITED)

	December 28, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash	\$ 18,542	\$ 15,171
Trade accounts receivable, net	47,890	45,422
Inventories	130,234	84,001
Prepaid expenses	7,314	8,423
Other	8,320	6,252
Total current assets	212,300	159,269
Property, plant and equipment, net	70,309	55,467
Goodwill, net	27,829	2,692
Intangible assets, net	22,362	1,906
Deferred income taxes	13,907	18,056
Other assets	4,123	3,850
Total assets	\$ 350,830	\$ 241,240
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 35,123	\$ 29,368
Accrued liabilities	42,266	32,976
Total current liabilities	77,389	62,344
Long-term debt	46,686	4,824
Lease obligations	16,467	6,527
Accrued retirement benefits	19,552	21,068
Deferred income taxes	7,053	1,203
Other long-term liabilities	1,839	1,658

Total liabilities	168,986	97,624
Commitments and contingencies (Note F)		
Equity:		
Twin Disc shareholders' equity:		
Preferred shares authorized: 200,000; issued: none; no par value	-	-
Common shares authorized: 30,000,000; issued: 14,632,802 and 13,099,468, respectively; no par value	44,137	11,570
Retained earnings	192,734	178,896
Accumulated other comprehensive loss	(32,055)	(23,792)
	204,816	166,674
Less treasury stock, at cost (1,533,290 and 1,545,783 shares, respectively)	23,485	23,677
Total Twin Disc shareholders' equity	181,331	142,997
Noncontrolling interest	513	619
Total equity	181,844	143,616
Total liabilities and equity	\$ 350,830	\$ 241,240

The notes to condensed consolidated financial statements are an integral part of these statements.

TWIN DISC, INCORPORATED**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	For the Quarter Ended December 28, 2018		For the Two Quarters Ended December 28, 2018 December 29, 2017	
Net sales	\$78,107	\$ 56,546	\$152,796	\$ 101,611
Cost of goods sold	52,019	38,323	102,723	69,396
Gross profit	26,088	18,223	50,073	32,215
Marketing, engineering and administrative expenses	18,909	15,070	37,894	28,464
Restructuring expenses	434	831	607	2,049
Income from operations	6,745	2,322	11,572	1,702
Interest expense	417	83	1,134	147
Other expense (income), net	798	364	1,118	934
	1,215	447	2,252	1,081
Income before income taxes and noncontrolling interest	5,530	1,875	9,320	621
Income tax expense	1,451	5,925	2,338	1,267
Net income (loss)	4,079	(4,050)	6,982	(646)
Less: Net earnings attributable to noncontrolling interest, net of tax	(6)	(63)	(47)	(76)
Net income (loss) attributable to Twin Disc	\$4,073	\$ (4,113)	\$6,935	